

# A comparative study of performance management paradigms of OKRs and KPIs

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**Abstract.** As traditional KPIs struggle with short-term rigidity, organizations adopt OKRs for strategic agility, yet face implementation challenges including superficial goal alignment, employee stress from excessive transparency, and integration conflicts with existing metrics. Through literature analysis, this study reveals that OKRs' efficacy is undermined by ambiguous objectives, inadequate progress tracking, and cultural mismatches, while misaligned managerial support and hybrid tool misconceptions exacerbate operational friction. Critical organizational barriers—such as conflating OKRs' aspirational nature with KPIs' quantitative focus—hinder synergistic integration. The research proposes a three-pillar framework: differentiating roles (OKRs for vision-driven goals, KPIs for tactical benchmarks), establishing multi-level alignment mechanisms, and implementing dynamic feedback loops. Findings emphasize that context-driven integration, tailored to organizational maturity and cultural readiness, optimally balances innovation focus with performance accountability, ultimately enhancing adaptive competitiveness.

**Keywords:** OKRs and KPIs, management paradigms, differentiating roles, multi-level alignment mechanisms, dynamic feedback loops

## 1. Introduction

Performance management is the key to business success, and KPIs and OKRs are important tools for excellence performance. Performance management scenarios for organizations in the same industry are different due to different organizational cultures. Different departments of an organization have different tasks due to their nature; different industries have even more varied management scenarios; and people with different personalities make performance management even more difficult. In order to improve the organization's efficiency, the theoretical field has researched the more mature Management by Objectives (MBO), Key Performance Indicators (KPIs), Balanced Scorecard (BSC), Objectives and Key Results (OKRs), 360-degree feedback and other performance management methods. In addition, there are other performance management methods such as Benchmarking Beyond, Score Rating, Behavioral Event Recording, Key Performance Events (KPA), etc. Theoretically, it is believed that different scenarios require matching performance management methods, and even the combination of multiple methods can greatly enhance the performance of organizations. This study focuses solely on a comparative analysis of OKRs and KPIs as two performance management paradigms. It aims to explore the reasons behind the inefficiency of using OKRs alone, the causes of employee anxiety, and why performance management becomes even more chaotic when organizations integrate both OKRs and KPIs. And further explore the better combination practice of both OKRs and KPIs to greatly improve the efficiency and competitiveness of organizations.

## 2. OKRs description

OKRs refers to Objectives and Key Results. The OKRs framework serves as a strategic management instrument designed to establish, disseminate, and track organizational objectives, ensuring unified efforts across all team members toward shared targets (Helmold, 2022). OKRs originated from the former Chief Executive Officer of Intel, Andy Grove, learn from the father of modern management, Peter Drucker, in the book *The Practice of Management*, the Management by Objectives (MBO) method. MBO emphasizes goal management and self-control. OKRs is based on this to explore how to define and quantify the generation of knowledge workers (Hou & Wen, 2020)

and was introduced by John Doerr to be used by Google, and in 1999 OKRs was carried forward by Google, and widely used by Facebook, LinkedIn and other companies. OKRs not only has the function of goal management and appraisal tool, but also is a set of management tools that can clearly establish goal and monitoring the degree of goal completion. It enables employees and teams to focus on current goals, with object and key results. OKRs is not only suitable for the evaluation of a single employee or the progress of goals, but also focuses on the establishment of the goal completion process, with the goal process and feedback as performance appraisal results. Now China's Baidu, Huawei, ByteDance and other companies are gradually adopting and promoting OKRs.

### **2.1. The purpose of objective setting**

The main goal of OKRs, a performance management approach to goal setting, is to be goal-driven, to focus on work priorities, and to encourage employee innovation. OKRs aim to align organizational, departmental, and individual goals in a structured manner, linking them to quantifiable outcomes (Helmold, 2022). By employing the SMART criteria for goal-setting, they ensure cohesive collaboration among employees, driving everyone toward a common purpose (Helmold, 2022). Bottom-up autonomous goal-setting by teams or individual employees has strong intrinsic motivation, which allows employees to set their own goals in accordance with their own working ability, thus motivating them to work in the right direction with enthusiasm, and the final results may exceed the goals designed by themselves. However, goal setting is difficult.

### **2.2. Assessment methods**

OKRs as a performance management method, evaluating its effectiveness mainly focuses on both process and results, emphasizing employee learning and growth. OKRs are structured around three to five overarching goals. For each goal, there are typically three to five specific, measurable outcomes defined. These outcomes include a progress metric, represented as a percentage (0–100%) or a numerical score (0–1.0), to track the level of accomplishment (Helmold, 2022). The assessment cycle is relatively short, usually one quarter. The assessment is highly transparent and can be seen by all enterprise employees in a timely manner. However, the lack of tracking of the implementation process can lead to a lack of objectivity in the assessment results, and corporate cultural differences can bring resistance to the assessment.

### **2.3. Relationship with compensation & motivational role**

OKRs is not directly tied to employees' salary and promotion, but more focused on team and individual development and the pursuit of goals, through the setting of challenging goals to stimulate employees' internal motivation and creativity.

### **2.4. Applicable organizations positions**

The OKRs assessment approach is suitable for innovative and fast-growing organizations, adapting to relevant departments such as R&D, product, marketing and other departments that require innovation. The OKRs framework was deemed an ideal fit for small and medium-sized organizations with a simple design and applicability (Azhar & Dewi, 2023).

## **3. KPIs Description**

An organization's key performance indicators (KPIs) are quantifiable metrics used to assess and track its performance over a specific time period (Helmold, 2022). KPIs, not developed by a single individual, have evolved over management science and have become a central tool in performance management. Establishing a clear and practical KPIs system is the key to effective performance management. A key performance indicator (KPIs) serves as a metric to evaluate how effectively an organization achieves its core business goals (Helmold, 2022).

KPIs focuses on breaking down an organization's strategic goals into quantifiable and measurable department level or individual key indicators. And it facilitates the achievement of the organization's strategic goals by evaluating the degree of achievement of the key indicators. KPIs allows department supervisors to break down departmental responsibilities to each employee within the department from their departmental responsibilities. It also allows them to set up individual employee performance targets, so that evaluation data is expressed quantitatively.

### **3.1. The purpose of objective setting**

The main purpose of KPIs, the performance management method of goal setting, focuses on the results of the work and the performance of employees through the indicator. Objectives are set by the organization. The organization from top to bottom distributes objectives and decomposes organizational hierarchies. Objectives are highly executable, measurable and feasible. However, they can easily lead to short-term behaviors. KPIs emphasize results, and employees may neglect the quality or sustainability of the process to achieve the targets. They may even take inappropriate actions, such as cutting costs to sacrifice quality. KPIs are directly related to performance appraisal, and employees may pay more attention to the achievement of short-term goals than long-term development to get a better appraisal. KPIs are usually achievable and represent the average performance level of employees, and are not very challenging. The KPIs system is not set up to exceed goals, but rather focuses on accomplishing clearly defined objectives. An organization's KPIs provide a concise representation of its processes and serve as a management tool for quick analysis (Joppen, 2019).

### **3.2. Assessment method**

KPIs, as a performance management method, assesses its effectiveness by focusing mainly on result which is the achievement of objectives. The assessment cycle is relatively long, usually one year. The assessment is not highly transparent and limited to relevant employees. However, it ignores process and employee development, lacks flexibility and is difficult to adapt to changes (Lin, 2022).

### **3.3. Relationship with compensation & motivational role**

KPIs directly related to performance appraisals, have a direct impact on employees' salaries, bonus payments, and job promotions. Helmold (2022) argues that KPIs can also be used as an effective motivational tool to motivate employees by setting challenging but achievable goals such as SMART goals.

### **3.4. Applicable organizations positions**

KPIs are more suitable for assessing mature, stable and growing companies, adapting to relevant departments such as sales, production, finance and other departments that require execution. For example, KPIs play a critical role on the plant floor as they excel at identifying, measuring, and illustrating muda (Helmold, 2022). Strategic KPIs often evaluate the broad performance of an organization, whereas operational KPIs tend to concentrate on specific functions or staff within areas like sales, marketing, or customer service teams (Helmold, 2022).

## **4. Comparison of OKRs and KPIs**

### **4.1. Comparison results**

Following the comparison between OKRs and KPIs, OKRs emphasizes setting challenging goals and encourages innovation and breakthroughs. In contrast, KPIs focuses more on reaching predetermined targets and emphasizes execution and efficiency. Self-control and self-management play a crucial role in the evaluation of KPIs and OKRs, and their importance cannot be ignored. In corporate culture, goal management is a very important component. KPIs facilitates close alignment

between individual and team goals by breaking down goals layer by layer; OKRs aligns everyone's goals and ensures that everyone can contribute to the overall goal (Deng, 2022). Driven by their respective core concepts, their strengths and weaknesses are formed (Liang, 2023), and combined with enterprise practice, as shown in Table 1:

**Table 1.** Comparison of the advantages and disadvantages of ORK and KPIs

	OKRs	KPIs
Advantages	(1) Clear objectives, focused on priorities; (2) Emphasizes collaboration, promotes communication; (3) Flexible and agile, adaptable to changes; (4) Data-driven, goal-oriented; (5) Effectively motivates employees' initiative and enthusiasm.	(1) Clear metrics, easy to measure; (2) Clear accountability, easy to execute; (3) Metric-driven, directly tied to compensation, highly motivating.
Disadvantages	(1) Difficult to set objectives; (2) Lack of tracking during execution; (3) Results evaluation lacks objectivity; (4) Cultural differences may cause resistance.	(1) May lead to short-term behavior; (2) Overemphasis on results, neglects process and employee growth; (3) Lacks flexibility, hard to adapt to changes; (4) Employees passively comply, weak collaboration, slow and inflexible response.

#### 4.2. Problem 1: OKRs tend to be superficial and fail to effectively improve performance

Although OKRs frameworks are used by companies across all industries, many implementation efforts have failed. A good method requires a good leader, and many companies using OKRs have shown concrete management results. For example, since Huawei replaced KPIs with OKRs in 2015, employees have been reluctant to return to the old KPIs management. If a good method does not have a good leader, the most effective method will be too superficial to be useful. It is difficult to really improve performance. OKRs, as a goal management tool, theoretically can help companies improve their performance, but in practice, many companies find that OKRs is over formalized and fails to improve performance. OKRs can be a formality for many reasons. First of all, the goal is not set in a scientific way. First, the goal setting is not scientific, the goal setting must be based on the strength of the team, and with a certain degree of challenge, the goal is too low or too high are not scientific. Second, lack of tracking. OKRs are not just about establishing goals, but also about tracking and evaluating progress regularly. If the company only focuses on setting OKRs without continuous tracking and feedback, OKRs will easily become an abstract strategy with no feasibility. Third, cultural differences create resistance. The OKRs effect is difficult to achieve in organizations that are highly hierarchical and lack transparency and collaboration. Fourth, OKRs is disconnected from performance evaluation. Unlike KPIs, which is tied to external performance assessments, OKR relies on intrinsic motivation. However, if employees do not fully understand this concept, the intended intrinsic motivation may not take effect, leading to drivelessness.

There are several key reasons why OKRs fail to enhance performance. First, executive support lack. Many organizations treat OKRs as a general management tool rather than a strategic method. Second, insufficient employee training and education. Without a solid understanding of OKRs and how to use them, employees often fill their objectives plans out mechanically, limiting their effectiveness. Third, inadequate OKRs management tools and systems. Fourth, when companies prioritize immediate results, a short-term mindset makes OKRs lose their strategic value. Fifth, the absence of a continuous improvement mechanism. The implementation of a new system requires an adaptation period, and without ongoing refinement, its advantages cannot be fully realized.

### 4.3. Problem 2: OKRs lead to employee anxiety

OKRs, as a goal management tool, is designed to help companies improve performance and focus. However, in the process of implementing OKRs, some companies have found that many employees suffer from anxiety.

There are a number of reasons for this. First of all, the goals are set too high or too challenging to accomplish, which leads to frustration and anxiety. OKRs goals are set by the team or individual, but it is difficult to avoid the fact that self understanding of one's own strengths is not necessarily accurate. And if employees overestimate their own strengths, the goals sets will be too challenging to achieve. It is widely recognized that one of the most crucial factors in effective motivation is establishing goals that are both ambitious and achievable, such as SMART goals—those that are Specific, Measurable, Attainable, Relevant, and Time-bound (Helmold, 2021). Secondly, there is a lack of clear guidance and support. Employees are poorly trained so they feel isolated and unsupported, not knowing how to set reasonable goals or how to achieve them. Goal setting operates in both directions. Employees within a department suggest goals for their managers to approve, just as departments put forward goals for top management's approval (Gomes & Fernandes, 2023). This bi-directionality helps to ensure that the goals are in line with the overall company strategy while reflecting the actual needs and capabilities of employees and teams. In this way, OKRs can better motivate employees to participate and take responsibility, while ensuring the feasibility and consistency of the goals. Third, OKRs transparency across the company and departments provides insight into progress, achievements, and areas facing obstacles (Helmold, 2021). Transparency creates stress as employees worry about their performance being publicized and psychological pressure from the fear that they are not performing as well as others. Fourthly, lack of communication and timely feedback. Employees are not sure if their goals are reasonable and if they are progressing properly, thus creating anxiety. Misalignment or misunderstanding of key results can create issues. When teams felt their contributions to the OKRs were underestimated, they were not able to achieve their goals. Contributions to the OKRs were undervalued, and frustration could grow, leading to strained collaboration and lower morale (Iseal, Wasiu, & Taiwo, 2024). Fifth, OKRs were used in unsuitable departments, leading to confusion and unfairness in performance management.

### 4.4. Question 3: Combined application of OKRs and KPIs

OKRs and KPIs are two different performance management tools, each with its own unique advantages and application situations. However, many companies find that performance management becomes more confusing when OKRs and KPIs are used together. The combination of OKRs and KPIs may increase the complexity of the management system, especially in terms of resource allocation and performance evaluation. If a company fails to effectively integrate the two, it may lead to more confusion in performance management. The reason for this confusion may be, firstly, a lack of understanding of the nature of OKRs and KPIs. OKRs are goal-oriented and KPIs are indicator-oriented; OKRs are not a flawless tool. OKRs can only be maximized in intrinsically motivated contexts. Secondly, the combination of OKRs and KPIs is unscientific and fails to complement each other's strengths and weaknesses. Combined use of OKRs and KPIs in the organization there are two cases. One approach is for different departments to use management tools suited to their specific functions. For example, the R&D department adopts OKRs, while the sales department uses KPIs. Another approach is for each department to implement both OKRs and KPIs in a primary-secondary structure. For instance, the R&D department primarily relies on OKRs with KPIs as a supplement, while the sales department prioritizes KPIs with OKRs as a complement. This method aims to leverage employees' intrinsic motivation while maintaining visibility into quantitative results. OKRs and KPIs should complement each other. If OKRs are not integrated with KPIs, or if KPIs fail to reflect OKRs progress, OKRs may lose their practical significance. Once the company has established its Objectives and Key Results (OKRs), it must define the key metrics to measure progress effectively (Tanasiichuk et al., 2022). KPIs are typically specific, quantifiable metrics that directly reflect business performance. In contrast, OKRs focus more on setting objectives and key results. Without

effectively integrating OKRs with KPIs, organizations may find OKRs too abstract to drive performance improvement. If OKRs and KPIs are not aligned, or if KPIs fail to accurately reflect OKRs progress, employees may experience confusion during execution. Third, insufficient communication and guidance during implementation can hinder adoption. Introducing a new system that employees do not fully understand or accept requires clear communication and concrete guidance. Fourth, cultural and organizational barriers. OKRs emphasize a culture of transparency, openness, and collaboration. OKRs enhance employees' intrinsic motivation, especially by fostering purpose-driven engagement through non-financial incentives (Why Companies Fail With Objectives And Key Results, 2023). In contrast, KPIs prioritize results, execution, and financial incentives. OKRs promote transparent communication and employee involvement, whereas KPIs focus on results-driven, top-down management. If a company fails to mediate the cultural differences between the two, it may lead to deviations in employees' understanding of performance management, which may result in cultural conflicts when used in combination. OKRs is more suitable for flat and flexible organizational structures, while KPIs is more suitable for hierarchical and stable organizational structures. If the organizational structure of the company does not adapt to the requirements of OKRs or KPIs, it may lead to implementation difficulties.

There are three main methods for efficiently integrating OKRs and KPIs. First, clarify their respective roles. OKRs are used to set and track long-term goals, driving innovation and breakthroughs within teams. KPIs, on the other hand, are used to monitor daily operations, ensuring key business metrics are met. Second, hierarchical integration. At the company level, OKRs are used to set annual or quarterly goals with clear key results. At the departmental or team level, the company OKRs are broken down into departmental or team OKRs, ensuring alignment with the company's objectives. At the individual level, team OKRs are further broken down into personal OKRs. KPIs are set to ensure daily tasks align with company goals. Third, the correspondence between OKRs and KPIs. The key results (KRs) in OKRs are matched with specific KPIs, ensuring that each KR is supported by measurable indicators. KPIs can serve as foundational data for OKRs, helping them to set more challenging goals. Through these specific methods, OKRs and KPIs can complement each other, ensuring strategic goals are closely integrated with daily execution.

## 5. Conclusion

OKRs and KPIs each have their strengths and weaknesses, and there is no clear-cut distinction between the two in terms of superiority. Organizations should select the appropriate performance management tools based on factors such as their development stage, industry characteristics, corporate culture, and the personalities and competencies of their employees.

Currently, integrating OKRs and KPIs represents an emerging and effective performance management approach. By combining the advantages of both frameworks, organizations can enhance the overall effectiveness of their performance management. However, if implemented improperly, this combination can lead to even more confusion in performance management.

Google exemplifies the successful integration of OKRs and KPIs by encouraging teams to set challenging goals through OKRs, while simultaneously utilizing KPIs to monitor job responsibilities and ensure actual goal achievement. Similarly, Intel considers KPIs when setting OKRs, ensuring that new product development is market-oriented and that there are actionable KPIs to track post-launch product performance. This dual-metric system has significantly improved team efficiency and market responsiveness.

In the future of organizational management, the key to improving team performance and achieving organizational objectives will lie in the careful and strategic use of both OKRs and KPIs. By aligning these two frameworks, companies can effectively balance ambition with measurable results, ensuring that both long-term goals and daily operations are optimized for success.

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